

## **BUDGET, FINANCE & INVESTMENT COMMITTEE**

**May 28, 2013**

**5:30 P.M.**

**Courthouse**

### MINUTES:

Members Present:

Charlie Baum  
Joe Frank Jernigan  
Will Jordan  
Robert Peay, Jr.  
Steve Sandlin  
Doug Shafer  
Joyce Ealy, Chr.

Others Present:

Ernest Burgess  
Jeff Jordan  
Don Odom  
Lisa Nolen  
Jeff Sandvig  
Kathy McMahon  
Scott Broden

Others Present:

Jeff Davidson  
Elaine Short

Chairman Ealy presided and called the meeting to order with all members being present.

The purpose of the meeting was to review the 2013-14 budgets for the General Purpose School Fund, Central Cafeteria Fund, and the Education Capital Projects Fund.

### APPROVE MINUTES:

Comm. Sandlin moved, seconded by Comm. Jernigan to approve the minutes of the May 20 and May 22, 2013 Budget Committee meetings as mailed.

The motion passed unanimously by acclamation.

### 2013-14 CENTRAL CAFETERIA FUND BUDGET:

Mr. Don Odom, Director of Schools, and Mr. Jeff Sandvig, Assistant Superintendent of Finance, were present to present the 2013-14 Central Cafeteria Fund budget request and to answer questions from the committee.

Chairman Ealy advised that the Health & Education Committee voted unanimously to approve the 2013-14 Central Cafeteria Fund budget with estimated revenues totaling \$18,290,500 and proposed expenditures totaling \$19,089,953, and a reduction of \$799,453 in the fund's reserves, Restricted for School Nutrition.

The estimated beginning fund balance at July 1, 2013 was \$4,200,000, and the estimated ending fund balance at June 30, 2014 was \$3,400,547.

Mr. Odom advised that there had been no changes to the budget request since the Health & Education Committee meeting. He explained that the Cafeteria Fund was self-sustaining, and the funds could not be transferred to any other funds. The funds can be used to make repairs to cafeterias and to meet compliance issues such as changing the vent fans and replacing equipment as required.

Comm. Jernigan moved, seconded by Comm. Sandlin to approve the 2013-14 budget for the Central Cafeteria Fund as requested with estimated revenues totaling \$18,290,500 and estimated appropriations totaling \$19,089,953 resulting in a reduction of the fund balance of \$799,453.

Comm. Shafer asked if the cafeteria funds could be used to provide funding for the new Stewart's Creek High School cafeteria.

Mr. Sandvig advised that some of the cafeteria funds were going to be used on the Smyrna Primary renovation project, but construction funds were being used for the Stewart's Creek High School cafeteria.

The committee was reminded that there was a maximum 25% fund balance requirement, meaning that the fund balance could not be more than 25% of the total appropriations.

Following discussion, the motion to approve the 2013-14 budget for the Central Cafeteria Fund as requested with estimated revenues totaling \$18,290,500 and estimated appropriations totaling \$19,089,953 resulting in a reduction of the fund balance of \$799,453 passed unanimously by roll call vote.

2013-14 EDUCATION CAPITAL PROJECTS FUND BUDGET:

Chairman Ealy advised that at the Health & Education Committee meeting on May 21, they voted unanimously by roll call vote to approve the proposed 2013-14 budget for Fund 177, Education Capital Projects Fund.

Mr. Odom presented the 2013-14 proposed budget for Fund 177, Education Capital Projects Fund, with estimated revenue totaling \$2,376,189 and estimated appropriations totaling \$2,465,958. A list of proposed capital improvements was provided reflecting a roofing project for Blackman High School at \$1,866,958; paving and striping projects for Christiana Middle School, La Vergne Middle School, Oakland High parking, and Stewartsboro Elementary totaling \$57,000; Eagleville High School sewer at \$52,000; Buchanan Elementary Sewer at \$250,000; and window replacements at Central Annex and Buchanan Elementary totaling \$240,000.

Mr. Sandvig advised that it was possible that the Buchanan Elementary School sewer project could be postponed and the money might be transferred to the Eagleville High School sewer project.

Following review, Comm. Shafer moved, seconded by Comm. Baum to approve the 2013-14 Education Capital Projects Fund budget as presented with estimated revenue totaling \$2,376,189, and estimated appropriations totaling \$2,465,958.

The motion passed unanimously by roll call vote.

2013-14 GENERAL PURPOSE SCHOOL FUND BUDGET:

Chairman Ealy advised that at the Health & Education Committee meeting on May 21, they voted to approve the 2013-14 General Purpose School fund budget totaling \$299,994,865 with Commissioner Turner voting "no".

Mr. Odom advised that the only thing that had changed since the Health & Education Committee meeting was that he had received an e-mail advising that sequestration was going to take \$111,000 from Title I. He advised that the Title I funding was shared directly with the schools based upon their number of students, so each school would receive a little less.

Mr. Odom provided a handout showing the average daily attendance expenditures for the past 10 years, the percentage of funding from local sources, state sources and federal sources for the past 10 years, and a comparison between the Rutherford County Schools average daily attendance expenditures per pupil and the state average of daily attendance expenditures per pupil. Mr. Odom stated that Rutherford County had been very good about funding the growth and the buildings.

The committee was provided with a summary of the proposed 2013-14 General Purpose School Fund budget showing the increases in the budget from the 2012-13 fiscal year. The summary reflected 106.5 new certified positions, 3 new salaried positions, and 22.3 new hourly positions for a total of 131.8 new positions and a total of 3,936.2 positions overall. The total increase to the budget was \$19,771,289 over the prior year.

Comm. Shafer asked about increases to the bus contractors' contracts. The summary of the budget reflected a 1.5% increase for bus contractors.

Mr. Sandvig advised that in the years where the school board employees did not receive a pay increase, the bus contractors also did not receive an increase. There were two years where the bus contractors received five percent pay increases per year. In the 2012-13 fiscal year, the bus

contractors received a two percent increase. The pay for the bus contractors also includes fuel adjustments.

Comm. Shafer moved, seconded by Comm. Jernigan to approve the 2013-14 General Purpose School Fund budget as presented totaling \$299,994,865.

The Finance Director provided copies of the estimated revenue from current property taxes advising that the Property Assessor had updated the assessments. She advised that the value of the penny had increased, which would provide an additional \$534,671 to the revenue, resulting in total estimated revenue of \$286,676,363. As a result of the additional revenue, the Trustee's Commission would also need to be adjusted for an additional \$10,700 resulting in total estimated appropriations of \$300,005,565. The estimated beginning fund balance at July 1, 2013 was \$21,000,000, and the estimated ending fund balance at June 30, 2014 was \$7,670,798. This would result in the ending fund balance not meeting the three percent requirement by \$1,329,369. To balance to the fund balance requirement, the General Purpose School Fund would need an additional 2.72 pennies on the property tax rate.

Comm. Baum stated that he was concerned that the General Purpose School Fund still had a shortfall of approximately \$1.3 million. A big part of the shortfall could be attributed to higher health insurance premiums, which amounted to approximately \$6 million. Additionally, the budget included step and level increases for employees, which would cost approximately \$1 million more plus benefits. The state was providing funding for a portion of a 1.5% pay increase for teachers, and another component was that the School Board was proposing to add to the 1.5% pay increase for teachers, as well as the non-teaching personnel. He stated that he was concerned that the county did not have enough money to pay for everything. Comm. Baum thanked Mr. Odom and Mr. Sandvig for answering his questions and meeting with him. In many ways, he stated that he believed it was a reasonable budget, but there was still a shortfall.

Mr. Sandvig stated that opening schools with only a three percent fund balance concerned him. He stated that he tried to be conservative in estimating revenue, and things could happen in July that would affect where the fund balance would end.

Mayor Burgess stated that it was going to take an additional 2.72 pennies to meet the three percent fund balance. He suggested that the committee consider adding an additional amount to the 2.72 pennies unless something was changed in the budget and in order to not jeopardize the three percent requirement. He stated that before the property tax rate was set, the committee should consider that.

Following discussion Comm. Shafer revised his motion, seconded by Comm. Jernigan to approve the 2013-14 General Purpose School Fund budget as presented adding 2.72 cents to the property tax rate for a total property tax rate of \$1.415 per \$100 of assessed value.

The motion passed by roll call vote with Commissioner Baum voting "no".

#### 2013-14 BUDGET REVIEW:

Comm. Shafer asked to review the pay step increases in the General Fund to see if there was a better way to implement them. He stated that the health insurance increase and the cost of living increase for employees at the low end of the pay scale would really put them behind, and the proposed pay increase would not cover it if they had a family. He suggested staggering the pay increases so that the lower paid employees would receive a larger percentage pay increase than those employees who were at the higher end of the pay scale. He requested that the information be presented at a later meeting.

Mayor Burgess stated that was a potential scenario.

Comm. Baum stated that the General Fund was reflecting a shortfall, as well. He thought it might be helpful for the committee to consider what cuts could be made to the fund in order for there not to be a shortfall without a property tax increase, but still using reserves. He presented a

list of what he considered to be the least painful ways to balance the General Fund, using reserves, but without requiring a property tax increase.

The handout listed the initial proposed appropriations, the additional health insurance costs, additional SRO costs, and the final proposed appropriations totaling \$82,040,468. The estimated revenues were listed as \$75,025,451. The initial shortfall was listed at \$7,015,017. The available reserves were listed as \$3,321,087, and the shortfall after using the reserves was \$3,321,087.

Proposed cuts included the pay plan including benefits, sheriff vehicles being reduced from 30 vehicles to 20, hiring five SRO's instead of 13, new positions for the County Clerk and Storm Water, open part-time position for the Court Clerk and open Planning Department administrative support, a reduction of \$33,000 for office supplies across various departments, \$60,000 for the Sheriff's Department storage for archives, \$39,000 for the Juvenile Detention secretary, \$21,000 for a vehicle for Building Codes, and \$23,000 for a vehicle for PAWS. The shortfall after the cuts was \$1,307,822.

Comm. Baum also recommended transferring \$.00344 of the property tax rate from the Highway Fund to the General Fund and \$.02 of the property tax rate from the Ambulance Service Fund to the General Fund. It was also proposed to buy one ambulance and cut two, postpone the health equipment purchase for the Ambulance Fund for one year and seek a grant, and cut the building construction or the communications digital consoles for the Ambulance Fund. The total reductions for the Ambulance Fund were \$952,287 resulting in a surplus after the transfers of \$44,178.

Comm. Baum stated that he did not look at the cuts as being permanent cuts, but as postponing some of the expenditures.

Mayor Burgess responded to the statement about postponing some of the expenditures until next year. He stated that he did not believe there was any reason to believe that there would be more money available next year than this year.

Comm. Jernigan noted that storm water management was a federal mandate.

Comm. Jordan stated that as far as the vehicles were concerned, Building Codes and Animal Control both were using multiple year old vehicles, and the vehicles were going to have to be addressed at some point.

Regarding the Ambulance Fund proposed cuts; Mayor Burgess stated that could probably be done and still fund the projects, as well, without a negative fund balance.

Comm. Baum stated that the Ambulance Fund had approximately \$5 million in the fund balance, and he agreed that the ambulance cuts did not have to be done. He stated that two cents could be moved from the Ambulance Fund and the ambulances and the new station could still be purchased. He suggested cuts that could offset the transfer of the property tax from the Ambulance Fund to the General Fund.

Comm. Jordan stated that Comm. Baum's proposal would not give anything to employees, and their health insurance rates were increasing an average of 38%.

Mayor Burgess stated that for the county to remain competitive in the market place, he would not recommend reducing \$700,000 for the pay plan and benefits. He stated that instead, he wanted to add money that was not currently in the budget. He stated that the county was getting further behind all of the time in comparison to other jurisdictions. He stated that some of Comm. Baum's suggestions might be used when coupled with some other alternatives that he and the Finance Director would like to offer. He suggested that Comm. Baum's suggestions be taken under advisement, along with the Finance Director's information.

Comm. Peay stated that in past years when the sheriff's deputies and EMT's were being paid less than average rate of pay compared to other jurisdictions, the county was losing a number of employees every year. He also stated that the Rutherford County School System had exemplary teachers. One of the main selling points for a teacher to come to Rutherford County was the health insurance program that was offered. Comm. Peay stated that he did not want a property tax increase, but one of the things that Rutherford County had done was frozen property tax rates for low income elderly citizens and for disabled veterans.

In summary, the Finance Director presented the revised estimated revenue from current property tax based on the Property Assessor's updated assessments. New items for the General Fund revenue due to the increased assessments were an additional \$327,500 in property tax revenue and a decrease of \$19,725 for the HOME Grant revenue. The total revised revenue for the General Fund was \$75,025,451.

Additional items to be added to the expenditures were \$108,825 for health insurance, \$93,000 for an additional payment for the Circuit Court's new software license and an additional \$7,000 for Trustee's Commission for total estimated appropriations of \$82,040,468. The required ending fund balance for the General Fund was \$12,306,070, but as presented the General Fund was \$3,321,087 short from meeting the requirement. To meet the fund balance policy, the General Fund would need an additional 5.82 cents on the property tax rate.

The Finance Director provided an update of the Development Tax to date reflecting additional revenue that had been received in the General Fund of \$1,032,625. Based on the increased Development Tax revenue, she estimated that the ending fund balance at June 30, 2014 was \$1,910,919.

The Solid Waste Fund 2013-14 budget included an adjustment for the health insurance rates of \$4,050 for total estimated appropriations of \$4,150,261. The Solid Waste Fund receives no property tax revenue, so there were no adjustments to revenue. The total estimated revenue was \$3,232,100.

An adjustment to the 2013-14 Ambulance Fund revenue added \$37,062 for property tax due to the updated assessments for total estimated revenue of \$10,881,621. Adjustments to the expenditures included \$9,500 for Data Processing Equipment, \$7,450 for Trustee's Commission, and \$12,720 for health insurance for total estimated expenditures of \$12,530,399.

There were no changes to the Industrial/Economic Development Fund with estimated revenue totaling \$21,337 and estimated appropriations totaling \$243,745.

The only change to the Special Purpose (DEA) Fund was to the beginning fund balance, which was shown as \$29,989.

There were no changes to the Drug Control Fund with estimated revenue totaling \$460,500 and estimated appropriations totaling \$364,610.

The 2013-14 Highway Fund revenue was adjusted to reflect the updated assessments by adding \$7,096 for property tax collections. The total estimated revenue was \$8,176,233, and the estimated appropriations were \$9,145,289.

In the 2013-14 Educational Capital Projects Fund, the property tax was increased by \$21,097 due to the updated assessments. The total estimated revenue was \$2,401,660, and the estimated appropriations totaled \$2,465,958.

An adjustment to the 2013-14 General Debt Service Fund added \$325,426 for property tax due to the updated assessments for total estimated revenue of \$49,115,881. An adjustment to the expenditures added \$6,510 to the Trustee's Commission for total estimated expenditures of \$50,482,817.

Comm. Peay asked if the Debt Service fund balance could be lowered, and if there was anything that could be done with that fund.

Mayor Burgess advised that there were some things that could possibly be done. He stated that he was planning to review the Debt Service Fund along with the Ambulance Service Fund and the Development Tax.

Comm. Baum stated that it appeared that the shortfall could be eliminated without using the Debt Service Fund.

The Finance Director presented a proposed Statement of Operations including the proposed changes with total estimated revenue for all funds of \$454,281,646 and estimated appropriations totaling \$480,549,479. The estimated revenue would be under the estimated appropriations by \$26,267,833. As presented, the General Fund estimated ending fund balance was \$3,321,087 below the requirement, and an additional 5.82 cents would be needed to meet the 15% fund balance policy. The General Purpose School Fund estimated ending fund balance was \$1,329,369 below the three percent requirement, and an additional 2.72 cents would be needed to meet the requirement.

An analysis of the proposed 2013 property tax rate was provided reflecting that if the property tax rate for the General Fund was increased by 5.82 cents, the total property tax rate for the General Fund would be \$0.6582 per \$100 of assessed value. If the property tax rate for the General Purpose School Fund was increased by 2.72 cents, the total tax rate would be 1.1702. The total estimated property tax rate was \$2.5506.

The Finance Director provided a handout illustrating how much the appropriations would increase for the General Fund, Solid Waste/Sanitation Fund, and the Ambulance Fund and the increase to the property tax rate it would require if the committee wanted to consider the expanded 56 pay grade table with a 1.5% increase to the base or a 1% increase to the base.

#### ADJOURNMENT:

Chairman Ealy advised that the next Budget Committee meeting would be on Thursday, May 30, 2013 at 5:30 P.M. where the committee would be making a recommendation on the 2013-14 budget for publication.

There being no further business to be presented at this time, Chairman Ealy declared the meeting adjourned at 6:40 P.M.

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Elaine Short, Secretary